

SCHEDULE A

ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF DIHLABENG LOCAL MUNICIPALITY

ANNUAL BUDGET OF DIHLABENG LOCAL MUNICIPALITY

2015/16 TO 2017/18 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Abbreviations and Acronyms

| | | | |
|--------|--|-------|---|
| AMR | Automated Meter Reading | MFMA | Municipal Financial Management Act Programme |
| ASGISA | Accelerated and Shared Growth Initiative | MIG | Municipal Infrastructure Grant |
| BPC | Budget Planning Committee | MMC | Member of Mayoral Committee |
| CBD | Central Business District | MPRA | Municipal Properties Rates Act |
| CFO | Chief Financial Officer | MSA | Municipal Systems Act |
| CPI | Consumer Price Index | MTEF | Medium-term Expenditure Framework |
| CRRF | Capital Replacement Reserve Fund | MTREF | Medium-term Revenue and Expenditure Framework |
| DoRA | Division of Revenue Act | NERSA | National Electricity Regulator South Africa |
| EE | Employment Equity | NGO | Non-Governmental organisations |
| EEDSM | Energy Efficiency Demand Side Management | NKPIs | National Key Performance Indicators |
| EM | Executive Mayor | OHS | Occupational Health and Safety |
| FBS | Free basic services | OP | Operational Plan |
| GAMAP | Generally Accepted Municipal Accounting Practice | PBO | Public Benefit Organisations |
| GDP | Gross domestic product | PHC | Provincial Health Care |
| GFS | Government Financial Statistics | PMS | Performance Management System |
| GRAP | General Recognised Accounting Practice | PPE | Property Plant and Equipment |
| HR | Human Resources | PPP | Public Private Partnership |
| HSRC | Human Science Research Council | PTIS | Public Transport Infrastructure System |
| IDP | Integrated Development Strategy | RG | Restructuring Grant |
| IT | Information Technology | RSC | Regional Services Council |
| kℓ | kilolitre | SALGA | South African Local Government Association |
| km | kilometre | SAPS | South African Police Service |
| KPA | Key Performance Area | SDBIP | Service Delivery Budget Implementation Plan |
| KPI | Key Performance Indicator | SMME | Small Micro and Medium Enterprises |
| kWh | kilowatt | | |
| ℓ | litre | | |
| LED | Local Economic Development | | |
| MEC | Member of the Executive Committee | | |

Part 1 – Annual Budget

1.1 Mayor's Report

FINANCIAL PERFORMANCE PRIOR YEAR

The municipality has managed to maintain unqualified audit opinion for the year 2013/14 which was firstly obtained in 2011/12 after suffering from Disclaimers from 2002/3 until 2008/9. The national target was 2014 and we achieved this two years earlier. The ability of the municipality to achieve this feat has given the community the assurance that their funds are properly accounted for and thereby increasing not only community confidence but also investor confidence.

Although we achieved an unqualified audit opinion, the financial performance of the municipality had a tremendous turn. In the 2012/13 the municipality made a deficit of R 79 million and in the 2013/14 financial year the deficit was increased to R 97 million, this translates to a turnaround of approximately R 18 million. The deficit of R 82 million is as a result of the provision for bad debts made in the 2014/15 financial year of R 120 million. Therefore if the consumers all paid their accounts the municipality would have had a surplus of R 120 million, which could be invested in improving the lives of our community. The payment of accounts remains a serious challenge and more focus still need to be placed on this section of our municipality.

The above statement clearly indicates that the municipality has a shortfall of R 120 million to meet its obligations, and this means that it will not be able to service its creditors. Eskom is one example that can be mentioned amongst other. Total creditors list of the municipality is R 100 million of which R 56 million is owed to Eskom. This poses a serious concern to our clients and community at large. The council has adopted a payment plan to ensure that debt is serviced with a reasonable period.

2015/2016 ANNUAL BUDGET

This budget reflects our commitments needs towards change and development for the betterment of the lives of all the people within or community. It also reflects continuity and conscience intention of our municipality to take head-on challenges of poverty, unemployment and inequality.

Honourable speaker our draft annual budget for 2015/2016 is R 645 million increasing from R 607 million due to increased provision for bad debts and depreciation during adjustment budget.

We managed to increase our revenue despite the fact that the equitable share; which equates to 19% of our total revenue, was slightly decreased. Currently grants account for 19% of the municipal revenue, a decrease of 3% from the 2014/5 financial year. This indicates that we are in the process of becoming self-sufficient and less reliant on

grants for our daily operating activities is what we are projecting in the future. The stagnant equitable share indicates that we need to focus more on the correct billing to our consumers as well as the collection of those accounts that we have been billed.

One of the biggest increases in own revenue is sale of electricity to R 156 million from R138 million in the previous financial year and assessment rates which increased from R84 million to R91 million, and sale of water that increased from R 71 million to R76 million.

We have managed to maintain our salary budget of 29% in the 2014/15 and 30% in 2015/16 budgets, an acceptable norm is between 30 and 35%. This type of discipline is necessary to ensure the financial stability of the municipality going forward.

The Councillors remuneration will not be subsidised through the equitable share allocation in the 2015/16 financial year. An amount of R 7.5 million has been included for the special support for Councillors remuneration and ward committees.

The repairs and maintenance budget has not increased since the 2013/14 budget. Repairs and maintenance comprises 3% of our total budget which is below the norm of 9%. Additional effort needs to be placed on increasing this percentage and thereby ensuring that our assets are properly maintained.

The general expenditure, which includes bulk purchases, insurance, rental of plant, security costs, fuel cost, training, etc., has decreased by 7%. It is essential that we ensure that our overheads remain as low as possible and thereby ensuring financial sustainability.

We have also managed to increase the contribution for depreciation by 1% from R 74 million projected in the 2014/15 budget to R 75 million in the 2015/16 budget year. This contributes towards the budget becoming more funded and cash backed. The municipality budgeted for an 86% payment rate whilst the current rate achieved is approximately 80%. This is a clear indication that our already scarce resources needs to be put into the collection of our debt and ensure that consumer accounts are paid timeously. We have profiled our debtors so that the debtor balances and payment rates can be managed per ward. The debtors have also been broken down per suburb; this allows us to focus more strategically when coming to the collection of our debt.

The municipality has employed resources internally to collect our debt and the fruit thereof is starting to show. Another strategic decision that the Council is taking is to abolish that practice of allowing property owners to open tenant accounts and thereby placing the burden on the municipality to collect their tenant's consumer accounts on their behalf. By taking this decision we will reduce the accounts on our system from approximately 50 thousand to 30 thousand. This will free up our officials to focus more on collection from the remaining 30 thousand debtors.

Total capital budget for 2015/2016 is R 86 million of which R 6 million will be funded internally and included in the total expenditure of R644 million.

The sources of funding for the R 86 million capital budget is:

| | |
|-----------------------------|----------------|
| Internal contributions | = R 6 million |
| MIG | = R 37 million |
| Department of water affairs | = R 38 million |
| Electrical | = R 5 million |

The capital budget for the next two financial years is:

| | |
|---------|----------------|
| 2015/16 | = R 75 million |
| 2016/17 | = R 78 million |

The MIG funding for the 2015/16 will be reduced to R 37 million and increase to R39 million in the 2016/17 financial year and to R 41 million in the 2017/18 financial year. This is an indication that the municipality needs to gear itself towards generating funds independently to fund its unlimited needs for capital development and growth. The internal capital expenditure has been decreased by 17.8% from R 7.3 million to R 6 million, this is not in line with the statement that we must strive to become self-sustainable with regards to the capital development in our area. This then links back to the emphasis on debt collection.

Our EPWP grant for 2014/2015 is R1 Million which can be increased in the next financial year depending on the number of job opportunities created.

In the 2013/14 financial year the municipality adopted a local economic development strategy to plot the way forward with regards to our municipality's economic development. No budget has been set aside for the local economic development projects in this financial year due to difficult financial position.

We also call upon all indigent households to register, and those who have registered to come forward to update their status in our register in order for them to qualify from the municipal indigent subsidy scheme. Registration of indigent household also helps the municipality to know exactly how many households are able to pay for services and how many cannot afford to pay for services due to their economic status. In 2015/16 financial year we plan to register over 6000 indigent households.

1.2 Council Resolutions

On 27 May 2015 the Council of Dihlabeng Local Municipality Local met in the New Hall (i.e. Boiketlong Hall of Bohlokong) to consider the annual budget of the municipality for the financial year 2015/16. The Council approved and adopted the following resolutions:

1. The Council of Dihlabeng Local Municipality , acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in [Table A2](#);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in [Table A3](#);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in [Table A4](#); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in [Table A5](#).
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in [Table A6](#);
 - 1.2.2. Budgeted Cash Flows as contained in [Table A7](#);
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in [Table A8](#);
 - 1.2.4. Asset management as contained in [Table A9](#); and
 - 1.2.5. Basic service delivery measurement as contained in [Table A10](#)
2. The Council of Dihlabeng Local Municipality Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:
 - 2.1. the tariffs for property rates – 7%
 - 2.2. the tariffs for electricity – 12.69%
 - 2.3. the tariffs for the supply of water – 7%
 - 2.4. the tariffs for sanitation services – 7%
 - 2.5. the tariffs for solid waste services – 7%
 - 2.6. Sundry tariffs (other services) - 10%

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically, efficiently and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 70 were used to guide the compilation of the 2015/16 MTREF.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Sustainable job creation
- Funding for implementation of National Development Plan.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable;
- Affordability of capital projects – original allocations had to be reduced.
- Securing inclusive growth-investing in strategic infrastructure programmes

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/16 MTREF

| | Original Budget | Budget Year | Budget year +1 | Budget Year + 2 |
|-----------------------------|-----------------|-------------|----------------|-----------------|
| R thousand | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| Total Operating Revenue | 604 286 | 644 937 | 678 608 | 711 273 |
| Total Operating Expenditure | 604 317 | 644 937 | 677 107 | 710 893 |
| <i>(surplus) deficit</i> | <i>(31 240)</i> | 0 | 1 500 898 | 289 458 |
| Total Capital Expenditure | 73 370 | 81 728 | 75 027 | 77 927 |

Total operating revenue has grown by 6 per cent for the 2015/16 financial year when compared to the 2014/15 Budget. For the two outer years, operational revenue will increase by 6 per cent respectively, equating to a total revenue growth of R 33 million over the MTREF when compared to the 2015/16 financial year.

Total operating expenditure for the 2015/16 financial year has been appropriated at R 644 937 million and translates into a budgeted surplus of R 6 million which will be used for internal capital projects as identified by council. When compared to the 2013/14 Budget, operational expenditure has decreased by 7 per cent in the 2015/16 budget and by 6 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years is decreasing at a moderate percentages which to the municipality not being able to fund internal projects. If the situation is not controlled we will not be able used to fund capital projects internally in future.

The 2015/16 capital budget from national government and internally generated funds has increased slightly when compared to the 2014/15 Budget of R 75 million. The capital budget will decrease to R 75 million and increase to R 80 million respectively for the outer years.

Operating Revenue Framework

For Dihlabeng Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 86 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | |
| Revenue By Source | | | | | | | | | | |
| Property rates | 67 323 | 67 316 | 76 851 | 83 151 | 83 151 | 84 868 | 84 868 | 90 809 | 96 711 | 102 998 |
| Property rates - penalties & collection charges | - | - | - | - | - | - | - | - | - | - |
| Service charges - electricity revenue | 129 197 | 151 055 | 157 909 | 164 983 | 164 983 | 175 382 | 175 382 | 197 638 | 210 484 | 224 166 |
| Service charges - water revenue | 44 654 | 44 801 | 65 077 | 64 291 | 64 291 | 71 459 | 71 459 | 76 461 | 81 431 | 86 724 |
| Service charges - sanitation revenue | 35 899 | 38 026 | 41 631 | 44 905 | 44 905 | 44 670 | 44 670 | 47 797 | 50 904 | 54 213 |
| Service charges - refuse revenue | 34 368 | 37 248 | 39 734 | 42 142 | 42 142 | 42 145 | 42 145 | 45 096 | 48 027 | 51 149 |
| Service charges - other | - | - | - | - | - | - | - | - | - | - |
| Rental of facilities and equipment | 2 953 | 3 556 | 4 055 | 5 355 | 5 355 | 3 592 | 3 592 | 3 951 | 4 208 | 4 481 |
| Interest earned - external investments | 9 | 11 | 11 | 10 | 10 | - | - | - | - | - |
| Interest earned - outstanding debtors | 19 858 | 23 061 | 27 014 | 26 661 | 26 661 | 32 280 | 32 280 | 35 509 | 37 817 | 40 275 |
| Dividends received | - | 5 | 6 | - | - | - | - | - | - | - |
| Fines | 641 | 7 195 | 5 060 | 11 890 | 11 890 | 8 509 | 8 509 | 9 360 | 9 968 | 10 616 |
| Licences and permits | 28 | 86 | 201 | 289 | 289 | 61 | 61 | 67 | 71 | 76 |
| Agency services | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - operational | 117 091 | 133 006 | 133 996 | 134 970 | 134 970 | 135 889 | 135 889 | 128 095 | 128 172 | 125 058 |
| Other revenue | 5 539 | 10 871 | 11 448 | 21 169 | 21 169 | 8 323 | 8 323 | 9 155 | 9 751 | 10 384 |
| Gains on disposal of PPE | - | - | - | 3 180 | 3 180 | - | - | 1 000 | 1 065 | 1 134 |
| Total Revenue (excluding capital transfers and contributions) | 457 560 | 516 238 | 562 992 | 602 996 | 602 996 | 607 178 | 607 178 | 644 937 | 678 609 | 711 273 |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise of 74 per cent of total revenue. In the 2014/15 financial year, revenue from rates and services charges totalled R 420 million. A significant amount of this revenue is derived from sale of electricity (i.e. R155 Million). A notable trend is the increase in the total revenue generated from rates and services charges, this is mainly attributed by rapid increases in the Eskom tariffs for bulk electricity. Electricity comprise of 31.per cent of the total revenue. Property rates is the second largest revenue source totalling 14 per cent of total revenue by 2015/16 financial year.

Operating grants and transfers totals R132 million in the 2014/15 financial year and steadily decreases to R127 million by 2015/16. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| RECEIPTS: | | | | | | | | | |
| Operating Transfers and Grants | | | | | | | | | |
| National Government: | 117 091 | 133 006 | 133 996 | 134 970 | 134 970 | 134 970 | 136 466 | 133 513 | 130 945 |
| Local Government Equitable Share | 114 851 | 129 367 | 129 734 | 131 369 | 131 369 | 131 369 | 125 216 | 121 929 | 121 212 |
| Municipal Systems Improvement | 740 | 800 | 890 | 934 | 934 | 934 | 930 | 957 | 1 033 |
| Finance Management | 1 500 | 1 500 | 1 550 | 1 600 | 1 600 | 1 600 | 1 600 | 1 627 | 1 700 |
| Water Services Operating Subsidy | - | - | - | - | - | - | 2 720 | 4 000 | 5 000 |
| EPWP Incentive | - | 1 000 | 1 000 | 1 067 | 1 067 | 1 067 | 1 000 | - | - |
| Electricity Demand Side Management | | | | | | | 5 000 | 5 000 | 2 000 |
| Library grant | | 339 | 822 | | | | | | |

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

1.3.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009. The implementation of these

regulations was done in the previous budget process and the Property Rates Policy of the municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R7 000 reduction on the market value of a property will be granted in terms of The Municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners a total rebate of 25 per cent will be granted to owners of rate-able property:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must be the owner of only one property;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension; and
 - The property must be categorized as residential.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a 6 per cent increase from 1 July 2014 is contained below:

Table 2 Comparison of proposed rates to levied for the 2015/16 financial year

| Category | Current Tariff (1 July 2014) | Proposed tariff (from 1 July 2015) |
|------------------------|---------------------------------|---------------------------------------|
| | c | C |
| Residential properties | 0.6812 | 0.7629 |
| State owned properties | 2.0358 | 2.1783 |
| Business & Commercial | 2.0358 | 2.1783 |
| Agricultural | 0.1060 | 0.1134 |
| Vacant land | 0.6811 | 0.7288 |
| Industrial | 2.0358 | 2.1783 |

1.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective from 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 7 per cent from 1 July 2015 for water is proposed 6 kℓ water per month period will granted free of charge to registered indigents only. Residents who are not registered as indigents will not qualify for free 6 kl per month, but they will pay it at a discounted rate (5.10)

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 3 Proposed Water Tariffs

| CATEGORY | CURRENT TARIFFS 2014/15 | PROPOSED TARIFFS 2015/16 |
|---|----------------------------|-----------------------------|
| | Rand per kℓ | Rand per kℓ |
| RESIDENTIAL | | |
| (i) 0 to 6 kℓ per 30-day period | 4.77 | 5.10 |
| (ii) 7 to 10 kℓ per 30-day period | 7.62 | 8.15 |
| (iii) 11 to 15 kℓ per 30-day period | 10.12 | 10.83 |
| (iv) 16 to 20 kℓ per 30-day period | 11.40 | 12.20 |
| (v) 21 to 30 kℓ per 30-day period | 11.79 | 12.62 |
| (vi) More than 31 kℓ per 30-day period: | 12.19 | 13.04 |
| NON-RESIDENTIAL | | |
| (i) 0 and more kl | 8.33 | 8.91 |

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 4 Comparison between current water charges and increases (Domestic)

| Monthly consumption kℓ | Current amount payable R | Proposed amount payable R | Difference (Increase) R | Percentage change |
|------------------------------|--------------------------------|------------------------------------|-------------------------------|----------------------|
| 20 | 166.70 | 178.37 | 11.67 | 7% |
| 30 | 284.55 | 304.47 | 19.92 | 7% |
| 40 | 406.45 | 434.90 | 28.45 | 7% |
| 50 | 528.35 | 565.33 | 36.98 | 7% |
| 80 | 894.05 | 956.63 | 62.59 | 7% |
| 100 | 1 137.85 | 1 217.50 | 79.65 | 7% |

1.3.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 14.24 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2015.

Considering the Eskom increases, the consumer tariff had to be increased by 12.68 per cent to offset the additional bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per month free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 5 Comparison between current electricity charges and increases (Domestic)

| Monthly consumption kWh | Current amount Payable R | Proposed amount Payable R | Difference (Increase) R | Percentage change |
|-------------------------|--------------------------|---------------------------|-------------------------|-------------------|
| 100 | 227.41 | 256.26 | 28.85 | 12.68% |
| 250 | 368.34 | 415.06 | 46.72 | 12.68% |
| 500 | 643.78 | 725.41 | 81.63 | 12.68% |
| 750 | 996.45 | 1122.80 | 126.35 | 12.68% |
| 1 000 | 1 366.84 | 1540.15 | 173.31 | 12.68% |
| 2 000 | 2 846.78 | 3207.75 | 360.97 | 12.68% |

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

1.3.4 Sanitation and Impact of Tariff Increases

A tariff increase of 7 per cent for sanitation from 1 July 2015 is approved. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs, therefore they higher than CPI increase of 6.2 per cent for sanitation tariffs.

The following table compares the current and proposed tariffs:

Table 6 Comparison between current sanitation charges and increases

| CATEGORY | CURRENT TARIFF 2013/14 | PROPOSED TARIFF 2015/16 |
|------------|---------------------------|----------------------------|
| Per toilet | 95.35 | 102.03 |

1.3.5 Waste Removal and Impact of Tariff Increases

A 7 per cent increase in the waste removal tariff is proposed from 1 July 2015.

The following table compares current and approved amounts payable from 1 July 2015:

Table 7 Comparison between current waste removal fees and increases

| | CURRENT TARIFFS 2014/15 | PROPOSED TARIFFS 2015/16 |
|------------------------|----------------------------|-----------------------------|
| Domestic and churches | 134.03 | 143.41 |
| Business x 2 per week | 226.99 | 242.88 |
| Business x 3 per week | 308.94 | 330.57 |
| Mass container removal | 771.27 | 825.26 |

1.3.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 8 MBRR Table SA14 – Household bills

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|--|---------------------|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 % incr. | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Rand/cent | | | | | | | | | | |
| <u>Monthly Account for Household - 'Middle Income Range'</u> | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | |
| Property rates | 411,96 | 436,68 | 467,25 | 495,28 | 495,28 | 495,28 | 7,0% | 529,95 | 561,75 | 595,45 |
| Electricity: | 102,47 | 108,61 | 116,22 | 124,81 | 124,81 | 124,81 | | 140,64 | 154,71 | 170,18 |
| Basic levy | | | | | | | 12,7% | | | |
| Electricity: | 984,37 | 1 043,43 | 1 116,47 | 1 198,98 | 1 198,98 | 1 198,98 | | 1 351,13 | 1 486,24 | 1 634,87 |
| Consumption | | | | | | | 12,7% | | | |

| | | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|-------|----------|----------|----------|
| Water: Basic levy | - | - | - | - | - | - | - | - | - | - |
| Water: Consumption | 186,73 | 197,93 | 235,47 | 249,60 | 249,60 | 249,60 | - | 267,07 | 283,09 | 300,08 |
| Sanitation Refuse removal | 139,15 | 147,50 | 157,83 | 167,30 | 167,30 | 167,30 | 7,0% | 179,01 | 189,75 | 201,13 |
| Other | 97,79 | 103,66 | 110,91 | 117,57 | 117,57 | 117,57 | 7,0% | 125,80 | 133,34 | 141,34 |
| sub-total | 1 922,47 | 2 037,81 | 2 204,14 | 2 353,53 | 2 353,53 | 2 353,53 | 10,2% | 2 593,60 | 2 808,88 | 3 043,06 |
| VAT on Services | 211,47 | 224,16 | 243,17 | 260,15 | 260,15 | 260,15 | | 288,91 | 314,60 | 342,66 |
| Total large household bill: | 2 133,94 | 2 261,97 | 2 447,31 | 2 613,68 | 2 613,68 | 2 613,68 | 10,3% | 2 882,51 | 3 123,48 | 3 385,72 |
| % increase/-decrease | | 6,0% | 8,2% | 6,8% | - | - | | 10,3% | 8,4% | 8,4% |
| Monthly Account for Household - 'Affordable Range' Rates and services charges: | | | | | | | | | | |
| Property rates | 14,74 | 15,62 | 16,72 | 17,72 | 17,72 | 17,72 | 7,0% | 18,96 | 20,10 | 21,30 |
| Electricity: Basic levy | - | - | - | - | - | - | 12,7% | - | - | - |
| Electricity: Consumption | - | - | - | - | - | - | 12,7% | - | - | - |
| Water: Basic levy | - | - | - | - | - | - | - | - | - | - |
| Water: Consumption | 100,74 | 106,79 | 137,94 | 146,22 | 146,22 | 146,22 | 7,0% | 156,46 | 165,84 | 175,80 |
| Sanitation Refuse removal | 69,58 | 73,75 | 78,91 | 83,65 | 83,65 | 83,65 | 7,0% | 89,50 | 94,87 | 100,57 |
| Other | 97,79 | 103,66 | 110,91 | 117,57 | 117,57 | 117,57 | 7,0% | 125,80 | 133,34 | 141,34 |
| sub-total | 282,84 | 299,81 | 344,48 | 365,15 | 365,15 | 365,15 | 7,0% | 390,71 | 414,16 | 439,01 |
| VAT on Services | 37,53 | 39,79 | 45,89 | 48,64 | 48,64 | 48,64 | | 52,05 | 55,17 | 58,48 |
| Total small household bill: | 320,38 | 339,60 | 390,37 | 413,79 | 413,79 | 413,79 | 7,0% | 442,76 | 469,33 | 497,49 |
| % increase/-decrease | | 6,0% | 15,0% | 6,0% | - | - | | 7,0% | 6,0% | 6,0% |
| | | | 1,49 | -0,60 | -1,00 | - | | | | |
| Monthly Account for Household - 'Indigent' Household receiving free basic services Rates and services charges: | | | | | | | | | | |
| Property rates | 14,74 | 15,62 | 16,72 | 17,72 | 17,72 | 17,72 | 7,0% | 18,96 | 20,10 | 21,30 |
| Electricity: Basic levy | - | - | - | - | - | - | 12,7% | - | - | - |
| Electricity: Consumption | - | - | - | - | - | - | 12,7% | - | - | - |
| Water: Basic | - | - | - | - | - | - | | - | - | - |

| | | | | | | | | | | |
|-----------------|--------|--------|--------|--------|--------|--------|------|--------|--------|--------|
| levy | | | | | | | | | | |
| Water: | - | - | 23,68 | 25,11 | 25,11 | 25,11 | - | 26,86 | 28,47 | 30,18 |
| Consumption | 69,58 | 73,75 | 78,91 | 83,65 | 83,65 | 83,65 | 7,0% | 89,50 | 94,87 | 100,57 |
| Sanitation | | | | | | | 7,0% | | | |
| Refuse | 97,79 | 103,66 | 110,91 | 117,57 | 117,57 | 117,57 | 7,0% | 125,80 | 133,34 | 141,34 |
| removal | | | | | | | | | | |
| Other | | | | | | | | | | |
| sub-total | 182,10 | 193,03 | 230,22 | 244,04 | 244,04 | 244,04 | 7,0% | 261,12 | 276,79 | 293,39 |
| VAT on | 23,43 | 24,84 | 29,89 | 31,68 | 31,68 | 31,68 | | 33,90 | 35,94 | 38,09 |
| Services | | | | | | | | | | |
| Total small | 205,53 | 217,86 | 260,11 | 275,72 | 275,72 | 275,72 | 7,0% | 295,02 | 312,72 | 331,49 |
| household bill: | | 6,0% | 19,4% | 6,0% | - | - | | 7,0% | 6,0% | 6,0% |
| % increase/- | | | | | | | | | | |
| decrease | | | | | | | | | | |

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 6 and 7 per cent, with the increase for indigent households closer to 6 per cent.

1.4 Operating Expenditure Framework

The Municipality's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.
- The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|----------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | |
| <u>Expenditure By Type</u> | | | | | | | | | | |
| Employee related costs | 142 829 | 159 638 | 172 725 | 176 074 | 176 074 | 171 669 | 171 669 | 181 626 | 190 707 | 200 243 |

| | | | | | | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Remuneration of councillors | 12 888 | 12 183 | 12 739 | 12 429 | 12 429 | 12 059 | 12 059 | 12 759 | 13 397 | 14 067 |
| Debt impairment | 85 709 | 86 051 | 107 163 | 16 275 | 16 275 | 120 000 | 120 000 | 94 284 | 98 998 | 103 948 |
| Depreciation & asset impairment | 67 454 | 71 181 | 67 657 | 74 590 | 74 590 | 74 590 | 74 590 | 75 336 | 79 103 | 83 058 |
| Finance charges | 6 219 | 10 791 | 14 606 | 10 433 | 10 433 | 16 631 | 16 631 | 14 606 | 15 337 | 16 103 |
| Bulk purchases | 83 154 | 108 908 | 115 933 | 126 540 | 126 540 | 127 398 | 127 398 | 144 559 | 151 787 | 159 376 |
| Other materials | 17 724 | 22 498 | 16 203 | 22 819 | 22 819 | 30 145 | 30 145 | 21 102 | 22 157 | 23 264 |
| Contracted services | 2 533 | 2 008 | 2 588 | 32 604 | 32 604 | 30 590 | 30 590 | 10 400 | 10 920 | 11 466 |
| Transfers and grants | – | – | – | – | – | – | – | – | – | – |
| Other expenditure | 84 931 | 136 923 | 129 080 | 131 232 | 131 232 | 113 476 | 113 476 | 90 265 | 91 947 | 96 565 |
| Loss on disposal of PPE | – | – | – | – | – | – | – | – | – | – |
| Total Expenditure | 503 441 | 610 182 | 638 693 | 602 996 | 602 996 | 696 558 | 696 558 | 644 937 | 674 353 | 708 091 |

The budgeted allocation for employee related costs for the 2015/16 financial year totals R194 million, which equals 30 per cent of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 5.8 per cent for the 2015/16 financial year. An annual increase of 5.8 per cent has been included in the two outer years of the MTREF. As part of The Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled relating to the prioritization of critical vacancies within the municipality. The outcome of this exercise was the inclusion of a budget relating to critical and strategically important vacancies

The cost associated with the remuneration of councillors and ward committees is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 86 per cent and the Debt Write-off Policy of the municipality. This amount decrease from 120 million in 2014/15 to R94 million in 2015/16 financial year. While this expenditure is considered to be a non-cash flow item, it informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard totals to R75 million for the 2015/16 financial and equates to 12 per cent of the total operating expenditure. There's a 1 per cent increase from 2014/15. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) and interest on overdraft. Finance charges make up 2 per cent (R14.6 million) of operating expenditure excluding annual redemption for 2015/16 and remain steady for the outer years

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Contracted services has been identified as one of the area which municipality must save to ensure that the municipality has full capacity relating to operations. Clearly this will demonstrate the application of cost effective measures is critical. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2015/16 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out (egg Meter reading service, Security service, Landfill Management). The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure are also growing at an alarming rate

1.4.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2015/16 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 10 Operational repairs and maintenance

| Description | 2010/11 | 2011/12 | 2012/13 | Current Year 2013/14 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2015/16 | Budget Year +2 2016/17 |
| R thousand | | | | | | | | | |
| Repairs and Maintenance by Expenditure Item | | | | | | | | | |
| Other Expenditure | 19,534 | 17,724 | 19,434 | 28,504 | 28,649 | 28,649 | 21,106 | 22,819 | 23,914 |
| Total Repairs and Maintenance Expenditure | 19,534 | 17,724 | 19,434 | 28,504 | 28,649 | 28,649 | 21,106 | 22,819 | 23,914 |

During the compilation of the 2015/16 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance has decreased from R28 million to R21 million for the 2015/16 financial year. In relation to the total operating expenditure, repairs and maintenance comprises of 3 per cent. This remains a concern to the municipality as we far below the norm of 9%.

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. R4 000 was also proposed as a minimum threshold for qualification of this subsidy. The target is to register 6 000 or more indigent households during the 2015/16 financial year, this process is reviewed annually. Details relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained below.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--|---------------|---------------|---------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Household service targets | | | | | | | | | |
| <u>Water:</u> | | | | | | | | | |
| Piped water inside dwelling | 28 748 | 28 748 | 28 748 | 28 748 | 28 748 | 28 748 | 37 821 | 37 821 | 37 821 |
| Piped water inside yard (but not in dwelling) | - | - | - | - | - | - | - | - | - |
| Using public tap (at least min.service level) | 3 088 | 3 088 | 3 088 | 3 088 | 3 088 | 3 088 | 772 | 772 | 772 |
| Other water supply (at least min.service level) | - | - | - | - | - | - | - | - | - |
| <i>Minimum Service Level and Above sub-total</i> | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 38 593 | 38 593 | 38 593 |
| Using public tap (< min.service level) | - | - | - | - | - | - | - | - | - |
| Other water supply (< min.service level) | - | - | - | - | - | - | - | - | - |
| No water supply | - | - | - | - | - | - | - | - | - |
| <i>Below Minimum Service Level sub-total</i> | - | - | - | - | - | - | - | - | - |
| Total number of households | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 38 593 | 38 593 | 38 593 |
| <u>Sanitation/sewerage:</u> | | | | | | | | | |
| Flush toilet (connected to sewerage) | 26 343 | 26 382 | 26 382 | 27 220 | 27 220 | 27 220 | 35 744 | 35 744 | 35 744 |
| Flush toilet (with septic tank) | - | - | - | - | - | - | 519 | 519 | - |
| Chemical toilet | - | - | - | - | - | - | - | - | - |
| Pit toilet (ventilated) | 5 455 | 5 455 | 5 455 | 4 616 | 4 616 | 4 616 | 2 330 | 730 | - |
| Other toilet provisions (> min.service level) | - | - | - | - | - | - | - | - | - |
| <i>Minimum Service Level and Above sub-total</i> | 31 797 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 38 593 | 36 993 | 35 744 |
| Bucket toilet | - | - | - | - | - | - | - | - | - |
| Other toilet provisions (< min.service level) | - | - | - | - | - | - | - | - | - |
| No toilet provisions | - | - | - | - | - | - | - | - | - |
| <i>Below Minimum Service Level sub-total</i> | - | - | - | - | - | - | - | - | - |
| Total number of households | 31 797 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 38 593 | 36 993 | 35 744 |
| <u>Energy:</u> | | | | | | | | | |
| Electricity (at least min.service level) | 2 945 | 2 945 | 2 945 | 2 945 | 2 945 | 2 945 | 2 945 | 2 945 | 2 945 |
| Electricity - prepaid (min.service level) | 6 541 | 28 891 | 28 891 | 28 891 | 28 891 | 28 891 | 28 891 | 28 891 | 28 891 |
| <i>Minimum Service Level and Above sub-total</i> | 9 486 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 |
| Electricity (< min.service level) | - | - | - | - | - | - | - | - | - |
| Electricity - prepaid (< min. service level) | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Other energy sources | - | - | - | - | - | - | - | - | - |
| <i>Below Minimum Service Level sub-total</i> | - | - | - | - | - | - | - | - | - |
| Total number of households | 9 486 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 |
| <u>Refuse:</u> | | | | | | | | | |
| Removed at least once a week | 31 414 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 |
| <i>Minimum Service Level and Above sub-total</i> | 31 414 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 |
| Removed less frequently than once a week | - | - | - | - | - | - | - | - | - |
| Using communal refuse dump | - | - | - | - | - | - | - | - | - |
| Using own refuse dump | - | - | - | - | - | - | - | - | - |
| Other rubbish disposal | - | - | - | - | - | - | - | - | - |
| No rubbish disposal | - | - | - | - | - | - | - | - | - |
| <i>Below Minimum Service Level sub-total</i> | - | - | - | - | - | - | - | - | - |
| Total number of households | 31 414 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 |
| <u>Households receiving Free Basic Service</u> | | | | | | | | | |
| Water (6 kilolitres per household per month) | 29 918 | 29 918 | 29 918 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 | 31 836 |
| Sanitation (free minimum level service) | 5 000 | 5 000 | 5 000 | 7 000 | 7 000 | 7 000 | 7 000 | 7 000 | 7 000 |
| Electricity/other energy (50kwh per household per month) | 5 000 | 5 000 | 5 000 | 7 000 | 7 000 | 7 000 | 7 000 | 7 000 | 7 000 |
| Refuse (removed at least once a week) | 5 000 | 5 000 | 5 000 | 7 000 | 7 000 | 7 000 | 7 000 | 7 000 | 7 000 |
| <u>Cost of Free Basic Services provided (R'000)</u> | | | | | | | | | |
| Water (6 kilolitres per household per month) | 4 582 910 | 4 582 910 | 4 582 910 | 6 735 337 | 6 735 337 | 6 735 337 | 6 735 337 | 6 735 337 | 6 735 337 |
| Sanitation (free sanitation service) | 5 934 643 | 5 934 643 | 5 934 643 | 7 657 440 | 7 657 440 | 7 657 440 | 7 657 440 | 7 657 440 | 7 657 440 |
| Electricity/other energy (50kwh per household per month) | 1 831 680 | 1 831 680 | 1 831 680 | 2 697 022 | 2 697 022 | 2 697 022 | 2 697 022 | 2 697 022 | 2 697 022 |
| Refuse (removed once a week) | 5 934 643 | 5 934 643 | 5 934 643 | 10 773 840 | 10 773 840 | 10 773 840 | 10 773 840 | 10 773 840 | 10 773 840 |
| Total cost of FBS provided (minimum social package) | 18 284 | 18 284 | 18 284 | 27 864 | 27 864 | 27 864 | 27 864 | 27 864 | 27 864 |
| <u>Highest level of free service provided</u> | | | | | | | | | |
| Property rates (R value threshold) | 22 000 | 22 000 | 22 000 | 22 000 | 22 000 | 22 000 | 22 000 | 22 000 | 22 000 |
| Water (kilolitres per household per month) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation (kilolitres per household per month) | - | - | - | - | - | - | - | - | - |
| Sanitation (Rand per household per month) | 124 | 124 | 124 | 147 | 147 | 147 | 147 | 147 | 147 |
| Electricity (kwh per household per month) | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Refuse (average litres per week) | - | - | - | - | - | - | - | - | - |
| <u>Revenue cost of free services provided (R'000)</u> | | | | | | | | | |
| Property rates (R15 000 threshold rebate) | 4 873 880 | 4 873 880 | 4 873 880 | 3 351 158 | 3 351 158 | 3 351 158 | 3 351 158 | 3 351 158 | 3 351 158 |
| Property rates (other exemptions, reductions and rebates) | - | - | - | - | - | - | - | - | - |
| Water | 4 582 910 | 4 582 910 | 4 582 910 | 6 735 337 | 6 735 337 | 6 735 337 | 6 735 337 | 6 735 337 | 6 735 337 |
| Sanitation | - | - | - | - | - | - | - | - | - |
| Electricity/other energy | - | - | - | - | - | - | - | - | - |
| Refuse | - | - | - | - | - | - | - | - | - |
| Municipal Housing - rental rebates | - | - | - | - | - | - | - | - | - |
| Housing - top structure subsidies | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total revenue cost of free services provided (total social package) | 9 457 | 9 457 | 9 457 | 10 086 | 10 086 | 10 086 | 10 086 | 10 086 | 10 086 |

1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2015/16 Medium-term capital budget per vote

| Vote Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Capital expenditure - Vote | | | | | | | | | | |
| Multi-year expenditure to be appropriated | | | | | | | | | | |
| Vote 1 - Municipal Manager | - | - | - | - | - | - | - | - | - | - |
| Vote 2 - Community Services | - | - | - | - | - | - | - | - | - | - |
| Vote 3 - Corporate Services | - | - | - | - | - | - | - | - | - | - |
| Vote 4 - Councillors | - | - | - | - | - | - | - | - | - | - |
| Vote 5 - Finance | - | - | - | - | - | - | - | - | - | - |
| Vote 6 - LED | - | - | - | - | - | - | - | - | - | - |
| Vote 7 - Public Works | - | - | - | - | - | - | - | - | - | - |
| Vote 8 - [NAME OF VOTE 8] | - | - | - | - | - | - | - | - | - | - |
| Vote 9 - [NAME OF VOTE 9] | - | - | - | - | - | - | - | - | - | - |
| Vote 10 - [NAME OF VOTE 10] | - | - | - | - | - | - | - | - | - | - |
| Vote 11 - [NAME OF VOTE 11] | - | - | - | - | - | - | - | - | - | - |
| Vote 12 - [NAME OF VOTE 12] | - | - | - | - | - | - | - | - | - | - |
| Vote 13 - [NAME OF VOTE 13] | - | - | - | - | - | - | - | - | - | - |
| Vote 14 - [NAME OF VOTE 14] | - | - | - | - | - | - | - | - | - | - |
| Vote 15 - [NAME OF VOTE 15] | - | - | - | - | - | - | - | - | - | - |
| Capital multi-year expenditure sub-total | - | - | - | - | - | - | - | - | - | - |
| Single-year expenditure to be appropriated | | | | | | | | | | |
| Vote 1 - Municipal Manager | - | - | - | - | - | - | - | - | - | - |
| Vote 2 - Community Services | - | - | 13 280 | 14 728 | 14 728 | 14 728 | 14 728 | 8 128 | 7 912 | 6 700 |
| Vote 3 - Corporate Services | - | - | - | - | - | - | - | - | - | - |
| Vote 4 - Councillors | - | - | - | - | - | - | - | - | - | - |
| Vote 5 - Finance | - | - | - | - | - | - | - | - | - | - |
| Vote 6 - LED | - | - | - | - | - | - | - | - | - | - |
| Vote 7 - Public Works | 55 090 | 88 660 | 77 366 | 64 875 | 64 875 | 64 875 | 64 875 | 75 880 | 63 640 | 66 760 |
| Vote 8 - [NAME OF VOTE 8] | - | - | - | - | - | - | - | - | - | - |
| Vote 9 - [NAME OF VOTE 9] | - | - | - | - | - | - | - | - | - | - |
| Vote 10 - [NAME OF VOTE 10] | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Vote 11 - [NAME OF VOTE 11] | - | - | - | - | - | - | - | - | - | - |
| Vote 12 - [NAME OF VOTE 12] | - | - | - | - | - | - | - | - | - | - |
| Vote 13 - [NAME OF VOTE 13] | - | - | - | - | - | - | - | - | - | - |
| Vote 14 - [NAME OF VOTE 14] | - | - | - | - | - | - | - | - | - | - |
| Vote 15 - [NAME OF VOTE 15] | - | - | - | - | - | - | - | - | - | - |
| Capital single-year expenditure sub-total | 55 090 | 88 660 | 90 646 | 79 603 | 79 603 | 79 603 | 79 603 | 84 008 | 71 552 | 73 476 |
| Total Capital Expenditure - Vote | 55 090 | 88 660 | 90 646 | 79 603 | 79 603 | 79 603 | 79 603 | 84 008 | 71 552 | 73 476 |
| Capital Expenditure - Standard | | | | | | | | | | |
| <i>Governance and administration</i> | - | - | - | - | - | - | - | - | - | - |
| Executive and council | - | - | - | - | - | - | - | - | - | - |
| Budget and treasury office | - | - | - | - | - | - | - | - | - | - |
| Corporate services | - | - | - | - | - | - | - | - | - | - |
| <i>Community and public safety</i> | - | - | 29 230 | 14 728 | 14 728 | 14 728 | 14 728 | 7 628 | 7 912 | 6 708 |
| Community and social services | - | - | 18 450 | 5 000 | 5 000 | 5 000 | 5 000 | - | 2 059 | 6 341 |
| Sport and recreation | - | - | 10 780 | 9 728 | 9 728 | 9 728 | 9 728 | 6 128 | 5 852 | 368 |
| Public safety | - | - | - | - | - | - | - | 1 500 | - | - |
| Housing | - | - | - | - | - | - | - | - | - | - |
| Health | - | - | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | - | - | 5 101 | 5 290 | 5 290 | 5 290 | 5 290 | 15 452 | 12 580 | 8 500 |
| Planning and development | - | - | - | - | - | - | - | - | - | - |
| Road transport | - | - | 5 101 | 5 290 | 5 290 | 5 290 | 5 290 | 15 452 | 12 580 | 8 500 |
| Environmental protection | - | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | - | - | 53 976 | 57 662 | 57 662 | 57 662 | 57 662 | 59 090 | 48 594 | 55 670 |
| Electricity | - | - | - | 893 | 893 | 893 | 893 | 7 000 | 8 466 | 2 854 |
| Water | - | - | 1 538 | 30 800 | 30 800 | 30 800 | 30 800 | 36 580 | 27 951 | 46 590 |
| Waste water management | - | - | 49 938 | 25 969 | 25 969 | 25 969 | 25 969 | 15 010 | 12 177 | 6 226 |
| Waste management | - | - | 2 500 | - | - | - | - | 500 | - | - |
| <i>Other</i> | 55 090 | 88 660 | 2 339 | 1 924 | 1 924 | 1 924 | 1 924 | 1 838 | 2 466 | 2 598 |
| Total Capital Expenditure - Standard | 55 090 | 88 660 | 90 646 | 79 603 | 79 603 | 79 603 | 79 603 | 84 008 | 71 552 | 73 476 |
| Funded by: | | | | | | | | | | |
| National Government | 55 090 | 88 660 | 72 196 | 72 103 | 72 103 | 72 103 | 72 103 | 78 008 | 71 027 | 72 925 |
| Provincial Government | - | - | - | - | - | - | - | - | - | - |
| District Municipality | - | - | - | - | - | - | - | - | - | - |
| Other transfers and grants | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 55 090 | 88 660 | 72 196 | 72 103 | 72 103 | 72 103 | 72 103 | 78 008 | 71 027 | 72 925 |
| Public contributions & donations | - | - | - | - | - | - | - | - | - | - |
| Borrowing | - | - | - | - | - | - | - | - | - | - |
| Internally generated funds | - | - | 18 450 | 7 500 | 7 500 | 7 500 | 7 500 | 6 000 | 525 | 551 |
| Total Capital Funding | 55 090 | 88 660 | 90 646 | 79 603 | 79 603 | 79 603 | 79 603 | 84 008 | 71 552 | 73 476 |

For 2015/16 an amount of R 84. million has been appropriated for the development of infrastructure. In the outer years this amount totals to R 71 million and R 73 million respectively for each financial years.

Part 2 – Supporting Documentation

1.6 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.6.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2014. Key dates applicable to the process were:

- **August 2014** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2015/16 MTREF;

- **November 2014** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2015** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2015** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2015** - Council considers the 2011/12 Mid-year Review and Adjustments Budget;
- **February 2015** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2015/16 MTREF is revised accordingly;
- **30 March 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF for public consultation;
- **16 April to 04 May 2015** – Public consultation;
- **May 2015** – finalisation of the 2015/16 IDP and 2015/16 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **27 May 2015** - Tabling of the 2015/16 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

1.6.2 IDP and Service Delivery and Budget Implementation Plan

This is the fifth review of the IDP as adopted by Council in May 2010. The current process started in September 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015/16 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review. The business

planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.6.3 Community Consultation

The draft 2015/16 MTREF was tabled before Council on 30 March 2015 for community consultation. The draft budget was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries within Dihlabeng area. Notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Councillors and management will be utilised to facilitate the community consultation process from 16 April to 04 May 2015. The applicable dates and venues were published in all the local newspapers and we are expecting on average attendance of 400 to be recorded per meeting. Other stakeholders involved in the consultation included rates payers association, churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2015/16 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by business as an obstacle to economic growth;
- Households cannot afford the tariff increases due to unemployment increases.

- Township establishment in Mashaeng, Mautse, Tateng tse ntsho and Bohlokong.
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money; and
- They also indicated that they need place to stay and they have been waiting for too long and their losing patience.
- Significant changes effected in the final 2015/16 MTREF compared to the draft 2015/16 MTREF that was tabled for community consultation, include:
 - The final tariff for water, refuses, sanitation was 7 %
 - The draft budget had a zero surplus, and we managed to record R 6 million Surplus at the end.
 - An amount of R 6 million is allocated to Capital Budget for the fund internal projects,

1.7 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five years strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to The Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment

between national and provincial priorities, policies and strategies and The Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.
- National Development Plan (NDP)

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 12 IDP Strategic Objectives

| 2015/16 MTREF | |
|----------------------|---|
| 1. | Provide democratic and accountable government for local communities |
| 2. | Be responsive to the needs of the local community; |
| 3. | Ensure the provision of services to communities in a sustainable manner |
| 4. | Promote a safe and healthy environment |
| 5. | Promote social and economic development |
| 6. | Encourage the involvement of communities and community organizations in the matters of local government |
| 7. | Facilitate the culture of public service and accountability amongst its staff; |
| 8. | Assign clear responsibilities for the management and co-ordination of administrative units and mechanisms |

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by

the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole;
- Sound financial fundamentals.

The 2015/16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 13 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

| Strategic Objective | Goal | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|----------------------|----------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | |
| Corporate Services | Stable labour force | (2 921) | 647 | 378 | 224 | 224 | 408 | 449 | 478 | 509 |
| Corporate governance | Accountable Government | (4 029) | 277 | 1 106 | 6 394 | 6 394 | 1 151 | 1 297 | 1 381 | 1 471 |
| Service delivery | Services to all | 78 236 | 97 631 | 68 595 | 97 752 | 97 752 | 81 139 | 88 062 | 81 773 | 85 111 |
| | Civil engineering roads | (1) | 0 | 8 | – | – | – | – | – | – |
| | Civil engineering sewerage | 35 934 | 38 080 | 42 389 | 44 905 | 44 905 | 44 715 | 47 846 | 50 956 | 54 269 |
| | Civil engineering water | 44 512 | 47 280 | 64 413 | 64 291 | 64 291 | 71 627 | 76 646 | 81 628 | 86 934 |
| | Electrical engineering | 134 965 | 149 441 | 165 244 | 176 532 | 176 532 | 176 046 | 198 338 | 211 230 | 224 960 |
| Political leadership | Political stability | 118 346 | 129 367 | 133 234 | 124 475 | 124 475 | 131 452 | 125 307 | 125 313 | 122 032 |
| LED | Economic development | 66 | 17 | 13 | 24 | 24 | 23 | 25 | 27 | 29 |
| Community wealfare | Healthy environment | 36 638 | 44 314 | 47 776 | 42 142 | 42 142 | 55 231 | 57 656 | 61 403 | 65 395 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Financial management | Financial Accountability | 89 267 | 100 497 | 107 611 | 119 428 | 119 428 | 120 766 | 131 039 | 139 446 | 148 491 |

| | | | | | | | | | | |
|--|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | | | | | | | |
| Allocations to other priorities | | | | | | | | | | |
| Total Revenue (excluding capital transfers and contributions) | | 531 014 | 607 552 | 630 768 | 676 166 | 676 166 | 682 557 | 726 665 | 753 636 | 789 200 |

Table 14 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

| Strategic Objective R thousand | Goal | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Human Capital Development | Stable labour force | 96 379 | 93 380 | 23 562 | 27 019 | 27 019 | 25 346 | 17 987 | 18 887 | 19 831 |
| Good governance and Public Participation | Accountable Government | 52 380 | 54 943 | 55 484 | 27 019 | 27 019 | 58 592 | 50 086 | 52 591 | 55 220 |
| Service delivery | Services to all | 12 332 | 61 161 | 37 039 | 332 810 | 332 810 | 151 378 | 147 809 | 152 369 | 160 007 |
| Access to Roads | Improve access to municipal roads and provision of Trafficable roads | 24 545 | 24 544 | 37 943 | 27 019 | 27 019 | 37 631 | 34 873 | 36 617 | 38 448 |
| Access to Sanitation | Improve access to sanitation and provision of quality services. | 97 771 | 101 438 | 49 571 | 27 019 | 27 019 | 57 481 | 35 090 | 36 844 | 38 686 |
| Access to Water | Improve access to water services and provision of quality water. | 12 012 | 12 652 | 52 633 | 27 019 | 27 019 | 59 428 | 44 549 | 46 777 | 49 116 |
| Access to Electricity | Improve Access to Electricity Services | 95 151 | 118 255 | 134 785 | 27 019 | 27 019 | 156 505 | 194 395 | 204 115 | 214 321 |
| Political leadership | Political stability | 29 048 | 49 729 | 63 174 | 27 019 | 27 019 | 56 297 | 47 272 | 49 636 | 52 117 |

| | | | | | | | | | | |
|---------------------------------|---|------------|------------|------------|---------|---------|---------|---------|---------|---------|
| Local Economic Development | Enabling environment for economic growth and tourism development. Healthy environment | 4 961 | 8 022 | 11 119 | 27 019 | 27 019 | 7 646 | 4 595 | 4 825 | 5 066 |
| Community wealfare | Financial Accountability | 48 648 | 49 657 | 79 418 | 27 019 | 27 019 | 78 610 | 63 685 | 66 869 | 70 212 |
| Financial management | | 30 183 | 36 401 | 93 964 | 27 019 | 27 019 | 7 646 | 4 595 | 4 825 | 5 066 |
| Allocations to other priorities | | | | | | | | | | |
| Total Expenditure | | 503 409 | 610 182 | 638 693 | 602 996 | 602 996 | 696 558 | 644 937 | 674 353 | 708 091 |

Table 15 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

| Strategic Objective | Goal | Goal Code | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|----------------------|----------------------------|-----------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | | |
| Corporate Services | Stable labour force | A | – | – | | – | – | | | | |
| Corporate governance | Accountable Government | B | – | – | | – | – | | | | |
| Service delivery | Services to all | C | 55 090 | 88 660 | 20 789 | 16 652 | 16 652 | 16 652 | 1 838 | 2 466 | 2 598 |
| | Civil engineering roads | D | – | – | 5 101 | 5 290 | 5 290 | 5 290 | 15 452 | 12 580 | 8 500 |
| | Civil engineering sewerage | E | – | – | 49 938 | 25 968 | 25 968 | 25 968 | 15 010 | 12 177 | 6 226 |
| | Civil engineering water | F | – | – | 1 538 | 30 800 | 30 800 | 30 800 | 38 580 | 27 951 | 46 590 |
| | Electrical engineering | G | – | – | | 893 | 893 | 893 | 5 000 | 8 466 | 2 854 |
| Political leadership | Political stability | H | – | – | | – | – | | | | |

| | | | | | | | | | | | |
|---------------------------------|--------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| LED | Economic development | I | - | - | | - | - | | | | |
| Community wealfare | Healthy environment | J | - | - | 13 280 | - | - | | 8 128 | 7 912 | 6 708 |
| Financial management | Financial Accountability | K | - | - | | - | - | | | | |
| | | L | | | | | | | | | |
| | | M | | | | | | | | | |
| | | N | | | | | | | | | |
| | | O | | | | | | | | | |
| | | P | | | | | | | | | |
| Allocations to other priorities | | | | | | | | | | | |
| Total Capital Expenditure | | | 55 090 | 88 660 | 90 646 | 79 603 | 79 603 | 79 603 | 84 008 | 71 552 | 73 476 |

1.8 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, The municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

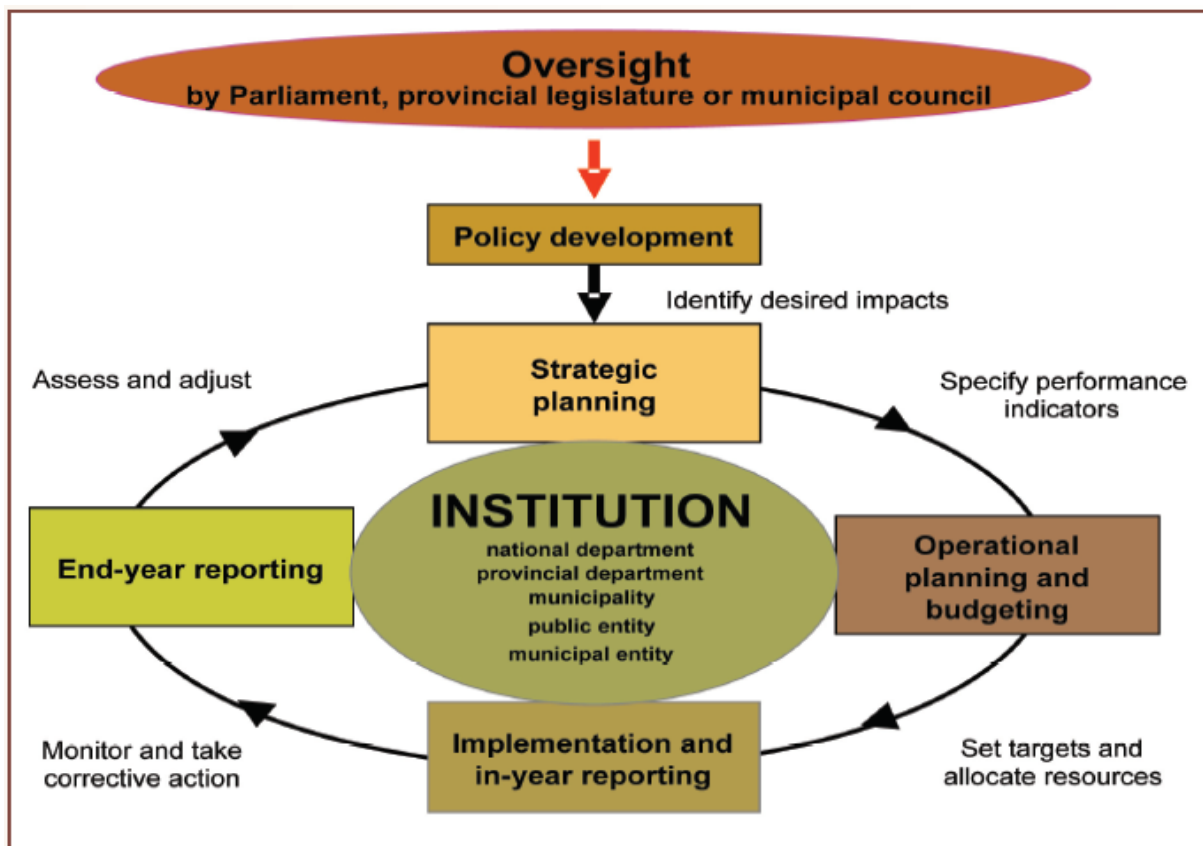


Figure 1 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



Figure 2 Definition of performance information concepts

1.8.1 Medium-term outlook: operating revenue

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 86 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Investment revenue contributes marginally to the revenue base of the municipality with a budget allocation of R750 000 for the respective three financial years of the 2015/16 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 16 MBRR SA15 – Detail Investment Information

| Investment type | 2009/10 | 2011/12 | 2011/12 | Current Year 2013/14 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|----------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2015/16 | Budget Year +2 2016/17 |
| R thousand | | | | | | | | | |
| <u>Parent municipality</u> | | | | | | | | | |
| Deposits - Bank | 1 040 | – | 750 | 750 | 750 | 1 254 | 1 350 | 1 450 | 1 550 |
| Total: | 1 040 | – | 750 | 750 | 750 | 1 254 | 1 350 | 1 450 | 1 550 |

Table 17 MBRR SA16 – Investment particulars by maturity

| Investments by Maturity | Period of Investment | Type of Investment | Capital Guarantee (Yes/ No) | Variable or Fixed interest rate | Interest Rate 3. | Commission Paid (Rands) | Commission Recipient | Expiry date of investment | Monetary value | Interest to be realised |
|-------------------------------------|----------------------|--------------------|-----------------------------|---------------------------------|------------------|-------------------------|----------------------|---------------------------|----------------|-------------------------|
| Name of institution & investment ID | Yrs./Months | | | | | | | | Rand thousand | |
| arent municipality | | | | | | | | | | |
| ABSA | 10 years | Fixed deposit | No | Fixed | 6% | 0 | 0 | 30 Days' Notice | 750 | 6 |
| TOTAL INVESTMENTS AND INTEREST | | | | | | | | | 750 | 6 |

1.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

- Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. Internship programme

- The municipality is participating in the Municipal Financial Management Internship programme and has employed four interns undergoing training in various divisions of the Financial Services Department. The municipality has successfully employed and trained 14 interns through this programme and a majority of them were appointed by the municipality

3. Budget and Treasury Office

- The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

- An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

- The detail 2015/16 MTREF SDBIP document must be submitted to the Major 21 days after the approval of the budget.

6. Annual Report

- Annual report is compiled in terms of the MFMA and National Treasury requirements.

1.10 Municipal manager's quality certificate

I, municipal manager of Dihlabeng Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Dihlabeng Local Municipality

Signature _____

Date _____